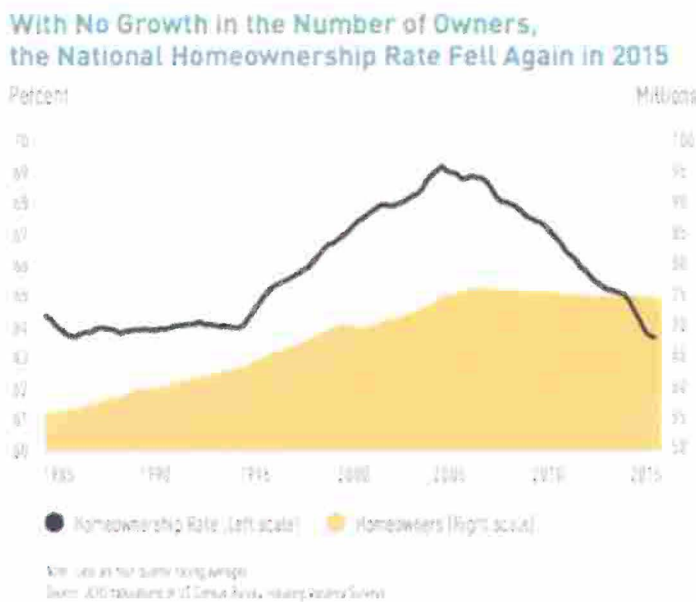
Homeownership In The U.S. Has Plummeted, But Not By Choice

The lingering effects of the economic crisis are creating obstacles for most families who want to buy homes.

The Huffington Post, by Kate Abbey-Lambertz, National Reporter, 06/23/2016 08:07 pm ET

The U.S. housing market is bouncing back, but its recovery hasn't done much for the millions of Americans who want to be homeowners.

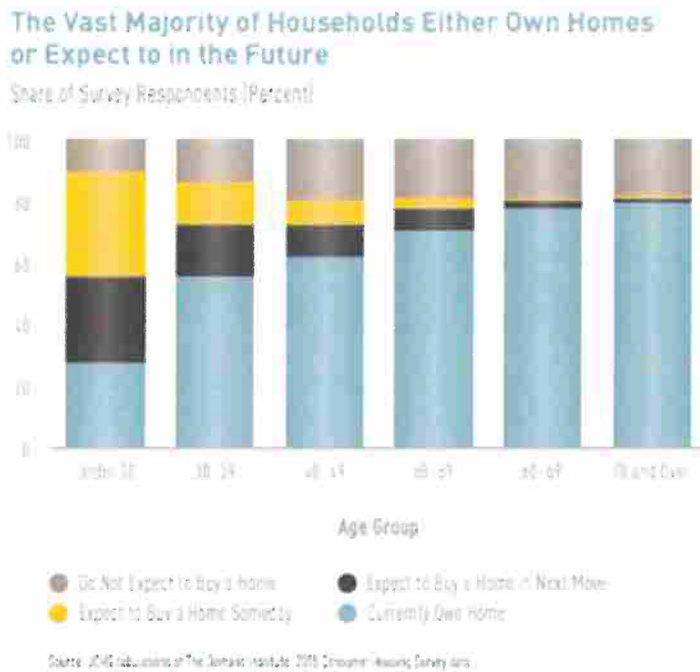
The homeownership rate is at its lowest in nearly 50 years, falling to 63.7 percent in 2015. It's a "decade-long slide" that "is unprecedented in American history," according to an annual report released Wednesday by Harvard University's Joint Center for Housing Studies.



Credit: Harvard Joint Center for Housing Studies

All those former homeowners had to go somewhere, and renters now make up a larger portion of households since the 1960s. The boom is part of what's driving the housing recovery, according to "The State of the Nation's Housing," the report from JCHS.

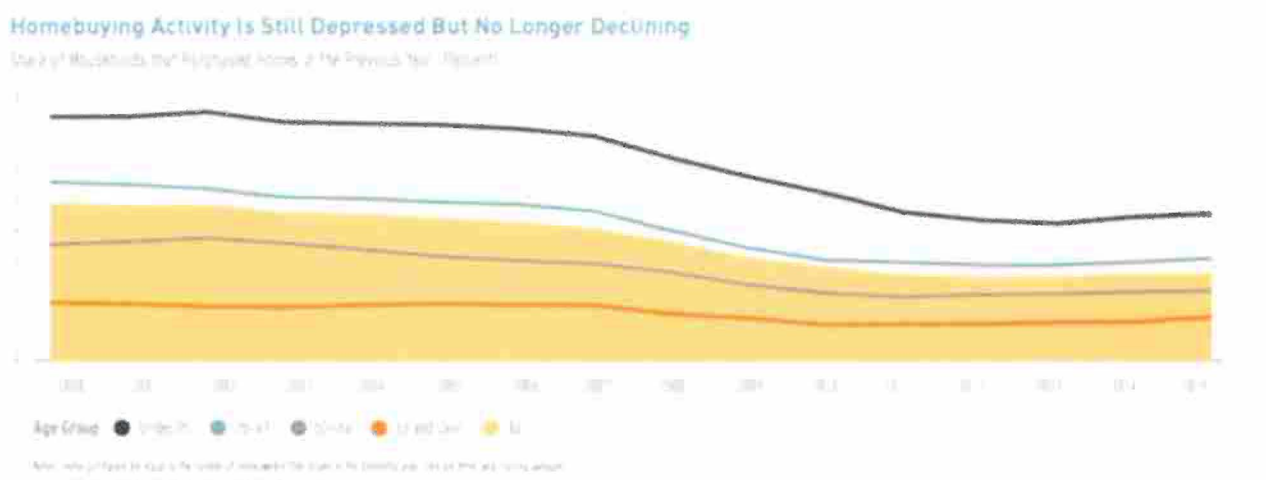
Some of the rental demand might be attributed to factors like a renewed interest in city living, where renting is more prevalent, and larger demographic shifts, like people waiting longer to get married and have kids. But overall, surveys show that the housing crisis hasn't changed the fact that Americans overwhelmingly own homes or want to, the report authors write.



Credit: Harvard Joint Center for Housing Studies

The report says the housing market has substantially recovered, and points to encouraging signs for the near future as incomes, sale prices, construction and household growth increase.

But while there were more home sales in 2015 than the previous year, there are still very few people buying.

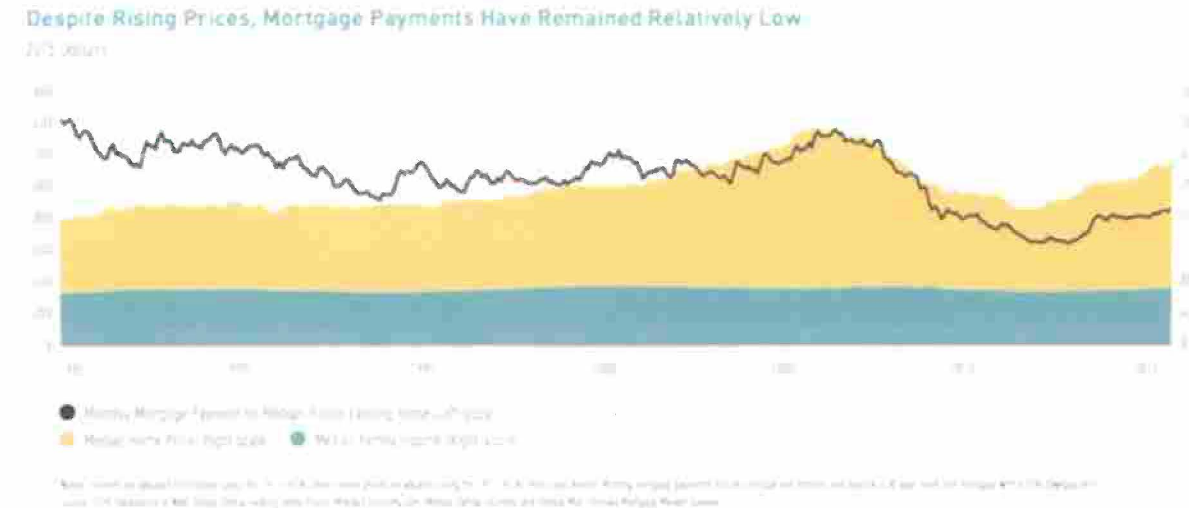


Credit: Harvard Joint Center for Housing Studies

Here are a few of the major obstacles dragging the national housing recovery and preventing individual families from becoming homeowners, according to the housing report.

Incomes are starting to increase, but they haven't matched the rise in housing prices.

The median household income went up 1.2 percent in 2014, still lower than any pre-recession level since the mid-1990s, according to the JCHS report. Meanwhile, the median sales price climbed 6.6 percent for new homes and 4.7 percent for existing homes. Low mortgage payments have helped with affordability.



Credit: Harvard Joint Center for Housing Studies

New homes coming on the market aren't priced or sized for many buyers.

Inventory is low, even with a jump in the number of new homes built last year. And new construction is increasingly catering to wealthier buyers.

Starter homes are hard to come by — about a fifth of new single-family houses were under 1,800 square feet in 2015. The median size was nearly 2,500 square feet, a record high. There is also a shrinking number of homes in the lowest price tier on the market in the largest metro areas, the report notes, citing Zillow data.

Foreclosures are still a pervasive problem.

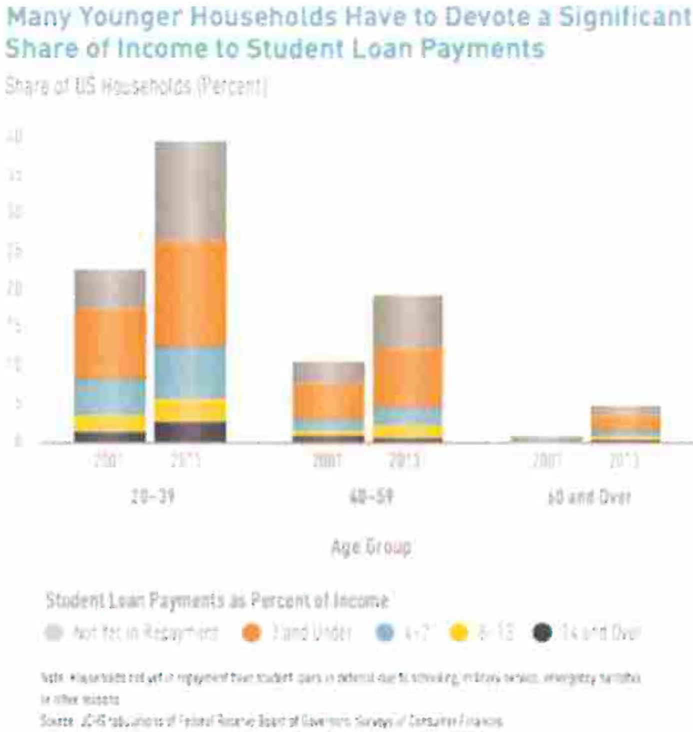
One of the factors keeping the homeownership rate low is ongoing foreclosures that turn owners into renters. There are about twice as many forfeitures now annually as there were before the crisis, when millions of families lost their homes. However, the Harvard researchers say that the foreclosures should continue to decline, helping stabilizing the rate of homeownership in a few years.

They also note that low interest rates are helping keep housing payments more affordable for current homeowners.

Unprecedented student loan debt might make it harder to make the leap to homeownership.

There's been a huge increase in the number of adults under 40 with student loan debt, and the average amount they owe has nearly doubled.

For most people, student loan payments shouldn't be enough to shut them out of the housing market. But, the report says, "this may not be true for the nearly one-fifth of indebted young renters whose payments exceed 14 percent of monthly income, a level the Consumer Financial Protection Bureau considers highly burdensome."



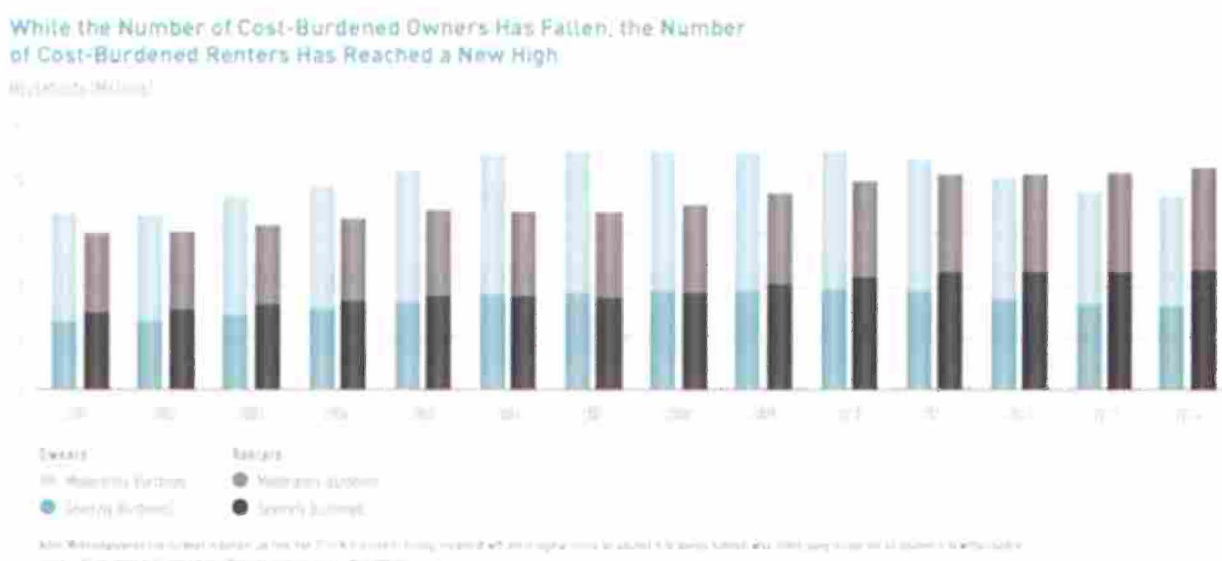
Credit: Harvard Joint Center for Housing Studies

If you don't have perfect credit, it's tough to qualify for a mortgage.

Lending to homebuyers with credit scores below 700 has fallen since 2010. Despite some federal efforts to expand credit access last year, fewer low-income and minority households are getting loans, according to the report.

High rents make it harder to save enough for a down payment.

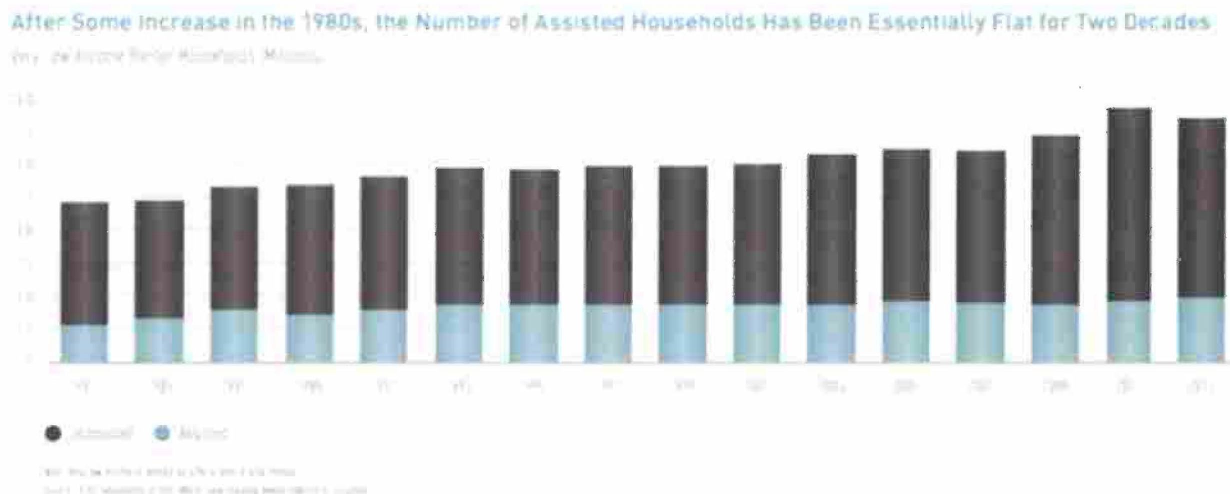
The explosion on the rental side of the housing market has pushed vacancy rates down and rents up. More renters than ever before are "cost-burdened," or putting over 30 percent of their income toward their monthly rent. Thirty percent is the benchmark for what is affordable before households start cutting into other essential expenses.



Credit: Harvard Joint Center for Housing Studies

Those monthly rent checks can mean putting less money toward savings for a home. The report noted that in 2013, the median renter between the ages of 25 and 34 had less than $6,000 in net wealth and cash savings. The median for renters aged 35 to 44 was less than $9,000.

In addition, federal programs aren't meeting the increasing need for housing assistance, leaving poor families essentially competing for limited affordable housing options. Local and state efforts to provide rental subsidies and increase the affordable housing supply haven't been enough to fill in the gap.



Credit: Harvard Joint Center for Housing Studies

It's not clear if the rise of renting will continue, but the report underscores that financial challenges and the limitations of the market are what's driving it.

"The question is not so much whether families will want to buy homes in the future, but whether they will be able to do so," Chris Herbert, the managing director of JCHS, said in a statement.

Kate Abbey-Lambertz covers sustainable cities, housing and inequality. Tips? Feedback? Send an email or follow her on Twitter.